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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	CC Docket No. 97-181
Defining Primary Lines	)	

COMMENTS OF SPRINT CORPORATION

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SUMMARY

Because of the costs incurred in administering different SLCs and PICCs for primary and non-primary residential lines, Sprint urges the Commission to consider anew whether it should instead direct recovery of non-traffic-sensitive costs from end-users through a cost-based SLC or, in the alternative, eliminate the distinction between primary and non-primary residential lines and set the SLC and PICC for such lines at the weighted average of the two rates otherwise applicable under the Commission's Access Reform order. However, if the Commission decides to go forward with the primary/non-primary dichotomy for residential lines, Sprint urges it to resolve the issues in the Notice by following one basic principle: keep it simple.

There is no need to change the definition of single-line business. The possibility that a multi-line business will seek to reduce its costs by taking one line each from multiple LECs is remote in view of the administrative costs the business would incur in reviewing and paying separate bills each month for each telephone line.

The easiest way for ILECs to administer the primary/non-primary concept for residential customers is to take existing customer accounts as they are, and presume that the main billing number listed on the account is the primary line unless the customer notifies the LEC to the contrary. With this approach, an account verification letter would need to be sent only to those residential customers having multiple lines on one account; it would not be necessary to try to ferret out whether the same household has lines under different accounts, or whether there are one or more family units at any particular residential address. Customers should be permitted to change their designation either in

writing, by telephone or in person, and thus the Commission should not require paper records of such customer designations.

Where a customer obtains lines both from an ILEC and a CLEC that resells the ILEC's service, it is reasonable to presume that the second line ordered is the non-primary line unless the customer indicates otherwise. If the CLEC informs the ILEC that the customer has designated its CLEC line as its primary line, the ILEC should accept such designation and bill the CLEC (for the SLC) and the IXCs involved (for the PICCs) accordingly.

Although adherence to the rules Sprint proposes should be subject to normal audit and enforcement processes, no new special processes are necessary at this time. The amounts at stake per subscriber are too low to impose such expensive systems unless or until there is evidence of widespread abuse that cannot be addressed by normal enforcement measures. However, each ILEC must verify to its carrier customers the number and types of PICCs being charged for each end user customer.

Finally, Sprint does not see the need for Commission-mandated disclosure to all consumers. Sprint's proposal would require notification only to those consumers that have an account with more than one line, and notifications to other consumers will simply cause needless confusion on their part.

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COMMENTS OF SPRINT CORPORATION

Sprint Corporation hereby submits its comments on the Notice of Proposed Rulemaking released in the above-captioned docket on September 4, 1997 (FCC 97-316). In the Notice, the Commission seeks comment on a number of issues related to differentiating between primary and non-primary residential lines for purposes of assessing subscriber line charges (SLCs) and primary interexchange carrier charges (PICCs).

I. INTRODUCTION

As Sprint made clear in its comments in the Commission's Access Reform docket (CC Docket No. 96-262), Sprint would have preferred that the Commission take the direct approach to the recovery of non-traffic-sensitive costs, and recover all such costs directly from end-users through cost-based SLCs. Sprint reluctantly acquiesced in the PICC concept as a second-best alternative, only because that alternative was preferable to continued recovery of non-traffic-sensitive charges through traffic-sensitive, usage-based access charges. As the industry moves closer towards the intended January 1, 1998 date for implementing the revised access charge structure, however, Sprint is becoming increasingly concerned about the ability of the industry to properly implement the PICC charges – particularly differentiated charges between primary and non-primary residential lines, and about the initial and recurring costs that will be imposed on the industry to administer these differentiated residential PICCs. In fact, with the scheduled implementation date just three months away, Sprint believes it is highly doubtful that the LEC industry can implement any definition of primary/non-primary residential lines by January 1 and believes some delay is inevitable.

Because of these concerns, Sprint urges the Commission to consider further the wisdom and benefits of differentiating between primary and non-primary residential lines for purposes of assessing access charges under the revised structure.[1] With the Commission's implementation date for the new structure looming, Sprint believes that it would be far better for the Commission to dispense with its attempt to differentiate between primary and non-primary residential lines altogether. Sprint does not suggest that the Commission should load the additional revenue requirements that would have been recovered from non-primary residential lines (through higher PICCs or SLCs) back onto usage-based access charges, or onto the multi-line business PICC. Rather, the Commission should set the residential SLC and PICC at levels that represent the weighted average of the primary and non-primary line charges that the Commission contemplated in its Access Reform docket. Sprint estimates that this would initially increase the SLC for residential (and single line business) customers by an amount on the

[1] With respect to universal service, it is not clear that differentiation between primary and non-primary lines is necessary when the Commission implements a revised high-cost support mechanism. Sprint believes it would be reasonable for the Commission to conclude that persons able to afford more than one line should be expected to pay a cost-based charge for their first line, and that, as a result, no high cost support should be given to persons having more than one line.

order of $.50 per month (or less than the residential SLC would be today if it had been adjusted annually for inflation since its institution), and the increase in the initial residential PICC would be on the order of only $.07 per month. There is no reason to believe that these modest increases in the SLC would have any serious effect on the Commission's universal service goals; to the extent it has any effect at all, the Commission's expanded Lifeline/Linkup programs are available to address legitimate issues of need. By the same token, the reduced initial levels of non-primary residential SLCs and PICCs should stimulate demand for additional residential lines.

If the Commission determines to go forward with differentiated primary and non-primary residential SLCs and PICCs, then Sprint urges it to resolve the issues raised in the Notice on the basis of one overarching principle: keep it simple. Attempting to squeeze every last possible dime out of higher charges for non-primary residential lines may well wind up costing the industry more in administrative expense than it gains in revenues.

II. DEFINING SINGLE-LINE BUSINESS LINES (¶5)

Sprint supports maintaining the current definition of single-line businesses. This definition is well ensconced in existing administrative procedures, and there is no reason to create a new set of administrative problems for the industry at this time. Consistent with this definition, a business with a single line in each of two (or more) locations should be considered to be a multi-line business, as is the case today.[2] The Commission

[2] For example, the multi-line business SLC applies to payphones, even though a payphone provider may only have one payphone per location. See Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act

raises the question whether, if the current definition is maintained, a business that obtains one line from an ILEC and one from a CLEC would be treated as a single-line business, and if so, whether such treatment would be competitively neutral and consistent with the Joint Board's recommendations, in the Universal Service docket, on the level of the primary line SLC.

As is the case with residential lines, addressed below, it is possible that multi-line businesses will seek to avoid higher SLCs by obtaining each of their lines from a different carrier, but Sprint believes that such behavior on a widespread scale is highly unlikely, and the cost to the industry to police such behavior is not worth the amount of revenues involved. Having to deal with a different local carrier for each of its lines imposes additional costs on the business, such as having to review, approve and pay multiple bills each month, that are likely to outweigh the couple dollars or so per line that the business could save by doing so. Furthermore, the administrative burden on ILECs and CLECs of establishing mechanisms to police such behavior is far greater than the value to the ILEC of preventing such behavior. Nor would the attempt of a business to evade the higher multi-line business charge by dealing with separate carriers raise any significant issue of competitive neutrality.

III. DEFINING PRIMARY RESIDENTIAL LINES (¶¶6-16)

If the Commission proceeds to differentiate between "primary" and "non-primary" residential lines, the definition should be based not upon individual subscribers, residences, or households (as suggested in the Notice), but rather on the basis of existing

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of 1996, 11 FCC Rcd 20541, 20634 (1996), rev'd on other grounds, Illinois Public

ILEC billing accounts. Thus, if a residential subscriber has only one line in his or her account, this would be the subscriber's "primary" residential line, regardless of whether other persons (related or not) at the same address also have accounts with the ILEC. If a subscriber has more than one line billed to a single account, the main billing number on the account would be defined as the primary line unless the customer otherwise notified the LEC, and all other lines would be non-primary. With this definition, an account verification letter would be sent only to current residential customers having multiple lines on one account. The verification letter would list the main billing number as the primary line and all other lines on the account as non-primary lines, and would inform customers of their right to make a different designation of their lines. Customers should be permitted to change their designation either by mail (e.g., using a tear-off reply card attached to the verification letter) or by phone to the LEC's business office. After this one-time verification process, line designation should be made during the normal ordering process.

This approach would minimize the administrative burdens on ILECs. For the LECs, having to administer any other definition (by subscriber name, by address, or by trying to ascertain which subscribers are members of the same household) would present an administrative nightmare that would substantially delay their ability to implement the Commission's revised access charge structure, with little apparent benefit. As in the case of business customers, discussed above, it is possible that customers who now have two lines billed to the same account might split up those lines into two separate accounts in

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Telecommunications Association v. FCC, CADC No. 96-1394, July 1, 1997.

order to evade the higher SLCs or PICCs. However, it is not clear that it would be in the customer's interest to do so for very long. In the first place, there are non-recurring charges that would apply in such cases. Second, over time, the PICC charge the customer's long distance carrier will incur on the non-primary residential line (a charge that is likely to be passed through to the customer) will be less than the PICC charge on the primary residential line, thus counterbalancing the higher SLCs that apply to non-primary residential lines. Furthermore, residential customers will incur the added expense and inconvenience of having to make multiple payments each month if they attempt to split their lines in this fashion. To the extent that customers choose to split their accounts, however, Sprint believes that the difficulty in policing and administering definitions of lines by household or residence would far outweigh the amount of revenues at stake. For this purpose, then, Sprint would simply define "account" as the account maintained for residential customers by the LEC, and would include all lines maintained at the billed account basis.

If, alternatively, the Commission were to define the number and type of lines assignable to a particular residential customer on the basis of households, residences, etc., then the Commission correctly observes (Notice, ¶8) that existing LEC business records may be inadequate to identify the primary residential line. However, rather than make the LEC industry – ultimately at the expense of the public – go to the trouble of querying individual consumers to determine whose household or residence, etc., they fall within, and to obtain self-certification from <u>all</u> consumers to identify primary lines, it is far simpler and less burdensome to simply use LEC accounts as they exist.

Furthermore, Sprint does not share the Commission's view (¶10) that LECs should be required to maintain documentation of their customers' self-certifications. Such documentation would necessarily require customers to respond in writing. Rather, the rule should simply require designation of the billed number on the customer billing account record as the primary line unless the customer notifies the LEC, either in writing, by phone, or in person, that the customer wishes to change the configuration of the account or designate a different line for billing purposes.

With respect to instances where a residential customer obtains lines from both an ILEC and a CLEC that resells the ILEC's service (see ¶11 of the Notice), Sprint believes it is reasonable to presume that the second line ordered is the non-primary line (unless the customer indicates otherwise). Thus, if the customer already has a line from an ILEC at the time he or she orders a line from a CLEC, it is reasonable (absent a contrary indication from the customer) to presume that the ILEC line would be the primary line. Thus, the ILEC would be permitted to charge the CLEC the non-primary residential SLC, and to charge the IXC presubscribed to the CLEC's line the non-primary PICC charge. However, at the time it obtains the customer's order (or thereafter), the CLEC should have the right to inquire whether the customer wants that line, or its ILEC line, to be its "primary" line. If the CLEC informs the ILEC (e.g., via an entry on the Local Service Request) that the customer has designated its line, rather than the ILEC's line, as the primary line, the ILEC should honor that designation and bill the CLEC (and the presubscribed IXCs for each line) accordingly. If it wished to, the ILEC could then contact the customer and seek to persuade the customer to change its designation. It is important to emphasize that in the Sprint proposal, consumers retain full control of their line designations.

Undoubtedly, there may be instances of abuse in which CLECs (or ILECs) falsely report that customers have designated their lines as "primary" when in fact the customers have not done so. However, if (as many believe) the industry in the future will consist in large part of carriers that offer both interexchange and local service to subscribers, the incentive to engage in this abuse will be short-lived. Within a very few years, the sum of the SLC and PICC charges for primary residential lines is expected to equal the sum of these charges for non-primary residential lines. When this happens, there will be no particular advantage for a vertically integrated carrier to have its line designated as either the primary or non-primary line. In the meantime, attempts to police designations by consumers, by building paper and audit trails and instituting prescribed procedures for the LECs to follow, is simply not worth the cost. If, however, the Commission wants to impose elaborate procedures to govern CLEC/ILEC relationships, then it must recognize that neither carrier has any inherent right to be the principal point of contact for designation of the customers' lines, and should instead use a neutral third party to administer the process. Sprint recently proposed a similar use of a neutral third party to administer PIC changes.[3] Such a third party could be used to verify primary/non-primary line designations as well.

Finally, Sprint's proposal to use LEC account records to distinguish between primary and non-primary lines minimizes the privacy concerns (see Notice, at ¶16) that

[3] See Sprint's September 15, 1997 Comments in CC Docket No. 94-129.

could arise from residential PICC administration. Its proposal does not require consumers to divulge living arrangements, family relationships or any other personal information, other than the information normally gathered to open an account for local service. In short, Sprint's proposal requires divulgence only of the information now required of customers in the ordinary course of business and does not raise any new privacy concerns that must be addressed by the Commission.

IV. SPECIAL AUDIT AND ENFORCEMENT REQUIREMENTS NEED NOT BE IMPOSED AT THIS TIME, BUT ILECs MUST PROVIDE VERIFICATION FOR THEIR ACCESS BILLS (¶¶17-21)

Although the LECs' adherence to the rules Sprint proposed in Section III above, should be subject to the Commission's normal audit and enforcement processes, Sprint does not believe that any new special auditing and enforcement processes are necessary at this time. Although Sprint's "keep it simple" approach could lead unscrupulous carriers to abuse the rules, the amounts at stake per subscriber are too low to impose elaborate auditing systems and paper trails unless or until there is evidence of widespread abuse that normal enforcement measures do not adequately address.

However, Sprint agrees with the Commission's tentative conclusion (in ¶17) that each ILEC should verify to its carrier customers the number and type of PICCs being charged. This information must be conveyed on a customer-by-customer basis so that IXCs will know how to appropriately recover these access costs from each of their customers. Sprint's proposal to base the administration of PICCs on LEC account information should ease the burden on ILECs of furnishing this information. The Sprint LECs, for example, will use their carrier access billing system to generate a report to each

IXC detailing the lines that were PICed to it and whether each line is considered a primary or non-primary line. Any other definitional system would greatly complicate the ILECs' task of conveying such necessary information to their IXC customers.

V. SPRINT OPPOSES MANDATORY CONSUMER DISCLOSURE REQUIREMENTS AT THIS TIME (¶22)

In ¶22, the Commission seeks comment on whether it should require a uniform disclosure statement to be provided to consumers when the rate structure takes effect, when the subscriber orders service, etc. Sprint does not see the need for Commission-mandated disclosures to all consumers. As indicated above, Sprint's proposal would require consumer notification only for consumers who have multiple lines billed to a single account. A mandatory disclosure to other consumers will simply cause needless confusion among consumers who are unaffected by the rate structure change, prompting calls to customer service representatives that will needlessly burden the LEC industry with increased costs. Furthermore, if the Commission were to prescribe a notification, it is highly unlikely that the LECs could place such a statement in their customers' hands before January 1, 1998 without resorting to an expensive special mailing. With staggered billing cycles, carriers typically must arrange billing inserts at least 60-90 days in advance.

VI. CONCLUSION

As indicated at the outset, Sprint reluctantly acquiesced in the PICC concept as a second-best alternative to direct recovery of non-traffic-sensitive costs from the cost-causative customer. Many of the administrative burdens of implementing this PICC concept were not evident to Sprint at that time, or even when it sought clarification of various aspects of the PICC charges in its petition for reconsideration in CC Docket No. 96-262.[4] With the benefit of hindsight, Sprint urges the Commission to reconsider its determination to use PICCs in lieu of direct recovery of non-traffic-sensitive costs from subscribers or, if the Commission is unwilling to take that step, at least eliminate the distinction between primary and non-primary residential lines and instead charge a uniform SLC and PICC to both types of lines (and small business lines as well), using a weighted average of the previously contemplated separate charges so as not to reimpose additional costs on minute of use charges or the multi-line business PICC. If the Commission is unwilling to take either of these steps, then Sprint urges it to fashion a definition and administration mechanism with one injunctive in mind: keep it simple.

Respectfully submitted,

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[4] See Sprint's Petition for Expedited Reconsideration and Clarification, filed July 11, 1997.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Comments of Sprint Corporation was Hand Delivered or sent by United States first-class mail, postage prepaid, on this the 25th day of September, 1997 to the below-listed parties:

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